

LMA

Loan
Market
Association

Economic update

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REAL ESTATE FINANCE CONFERENCE

20 April 2023, London



Key points

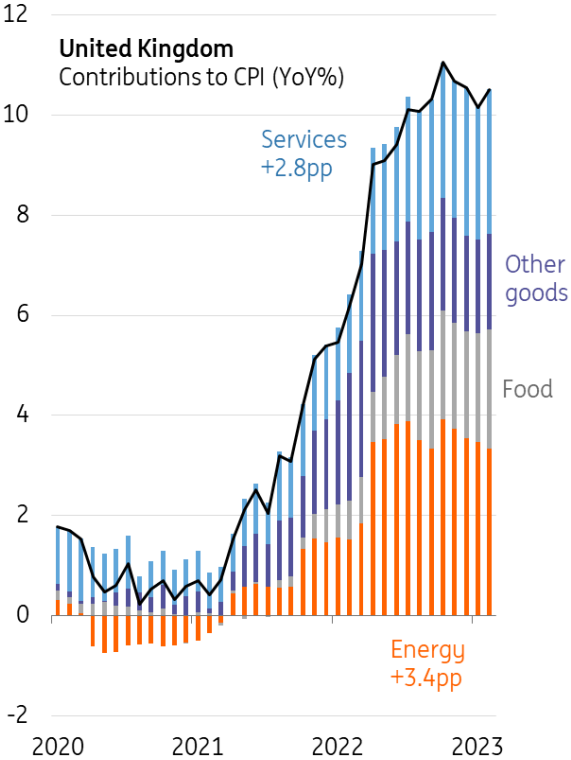
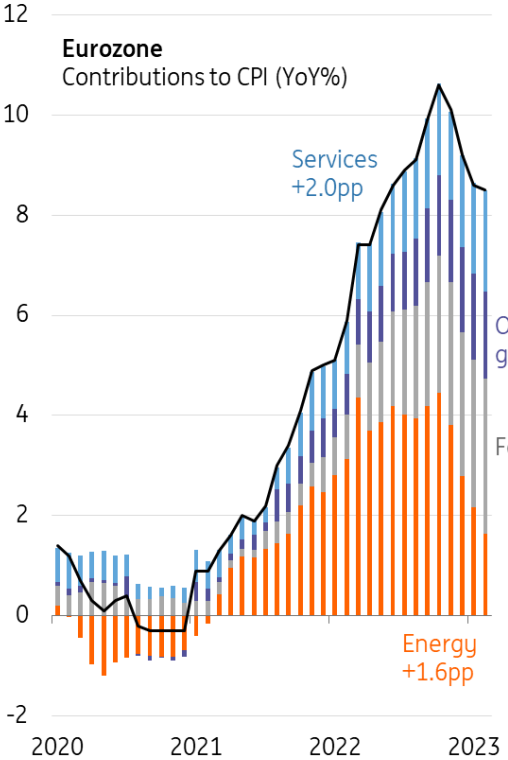
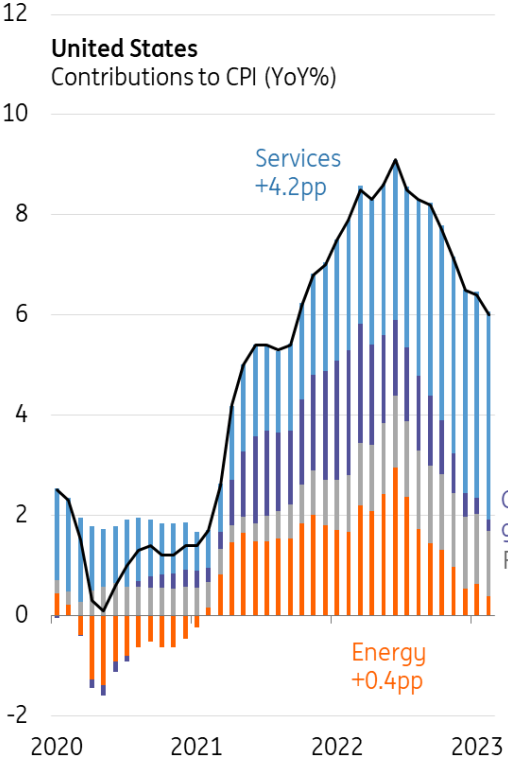
Inflation set to become less of an issue – in the US more rapidly than in Europe

US banking concerns have eased but the crisis makes a recession more likely

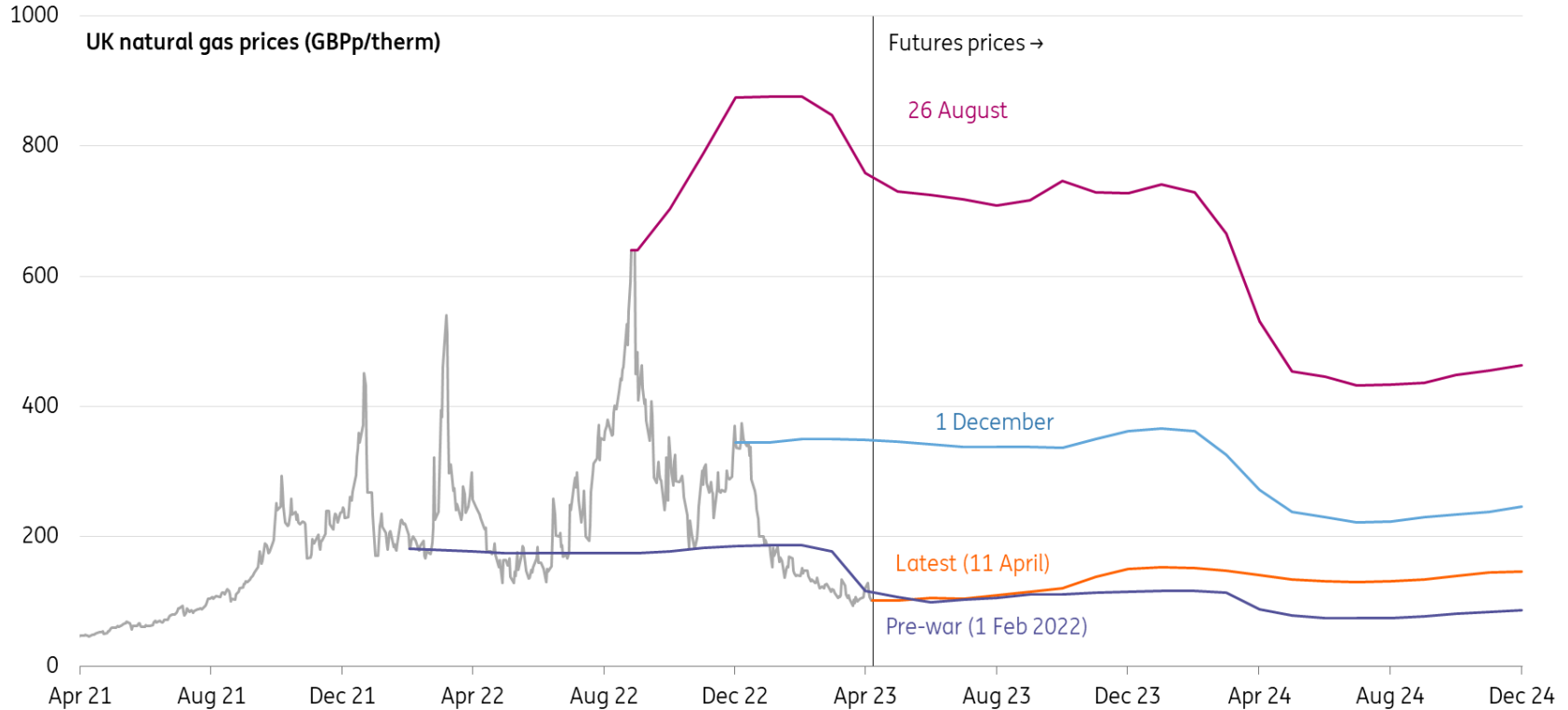
Housing markets remain vulnerable – Scandies/Canada stand-out most

Central banks are either done – or nearly done – with tightening. US rate cuts are inevitable

Inflation looks quite different depending where you look...

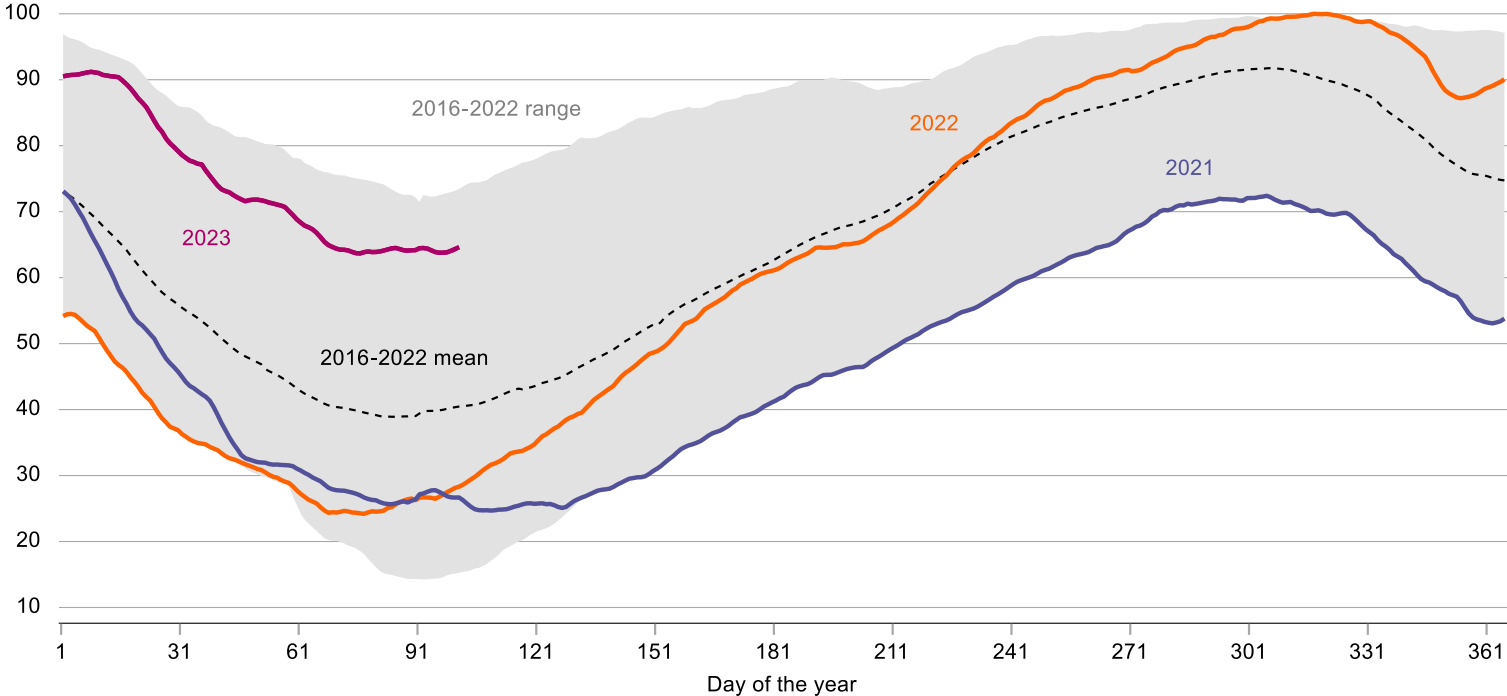


Gas prices have collapsed since last summer



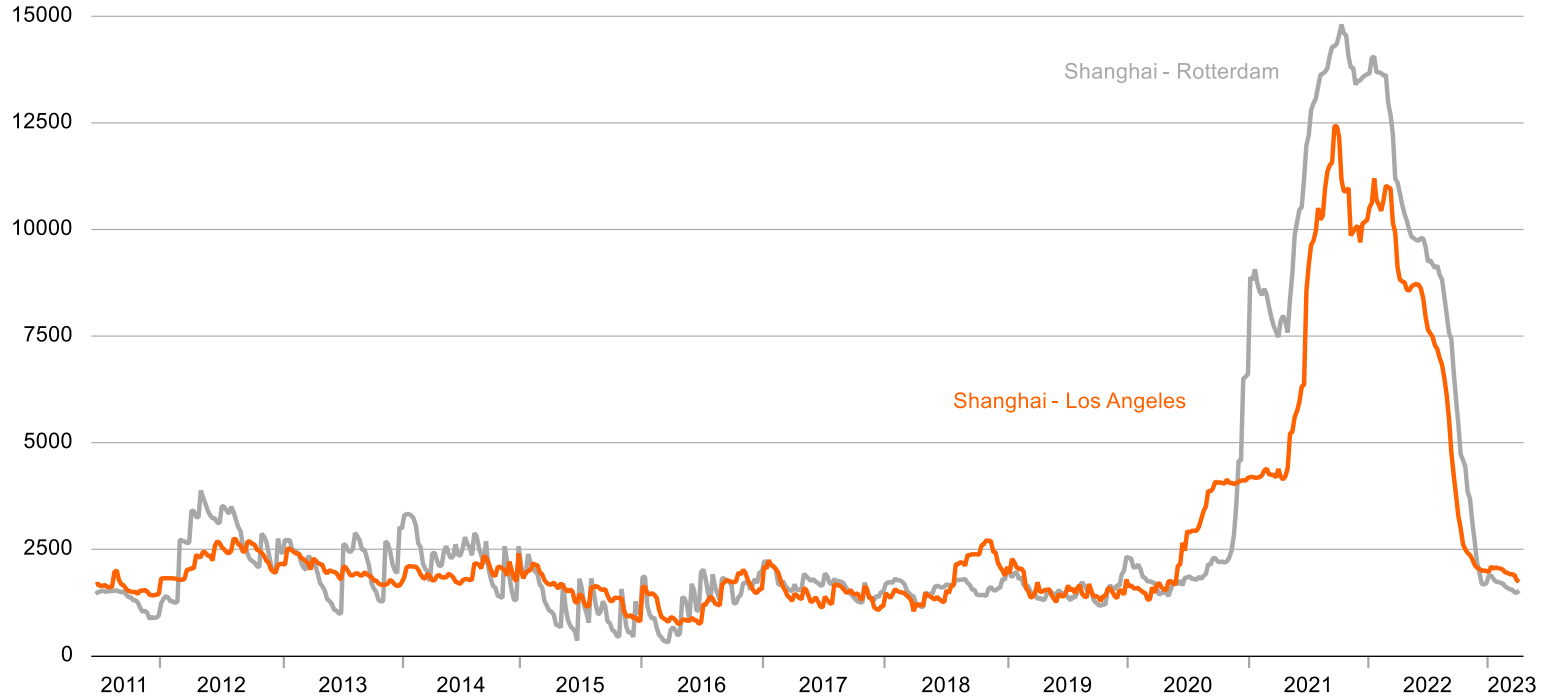
European gas storage is remarkably full

Germany gas storage (% full)



Supply chain strains have reduced considerably

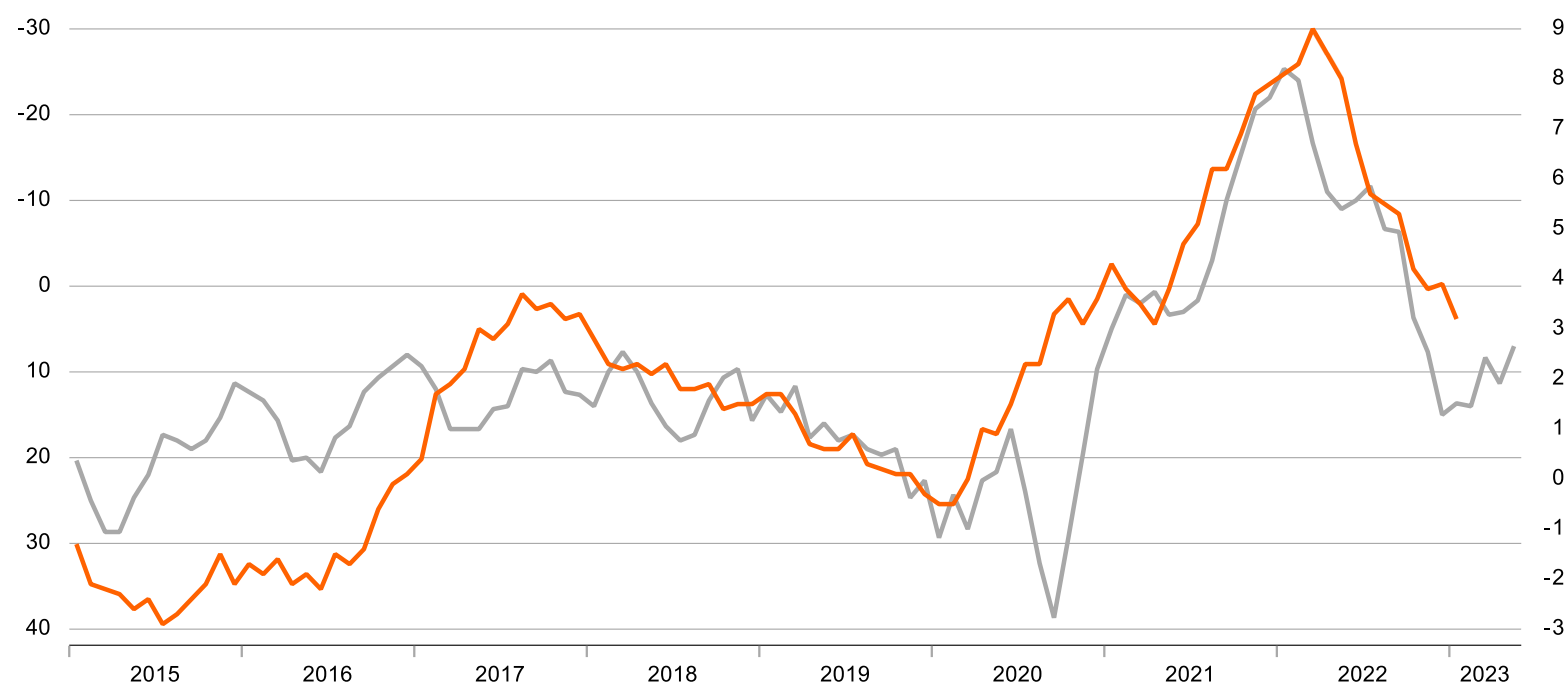
Cost of sending a 40ft container between destinations (USD)



Durable goods inflation easing rapidly on improved supply

UK durable goods inflation and orders/inventory

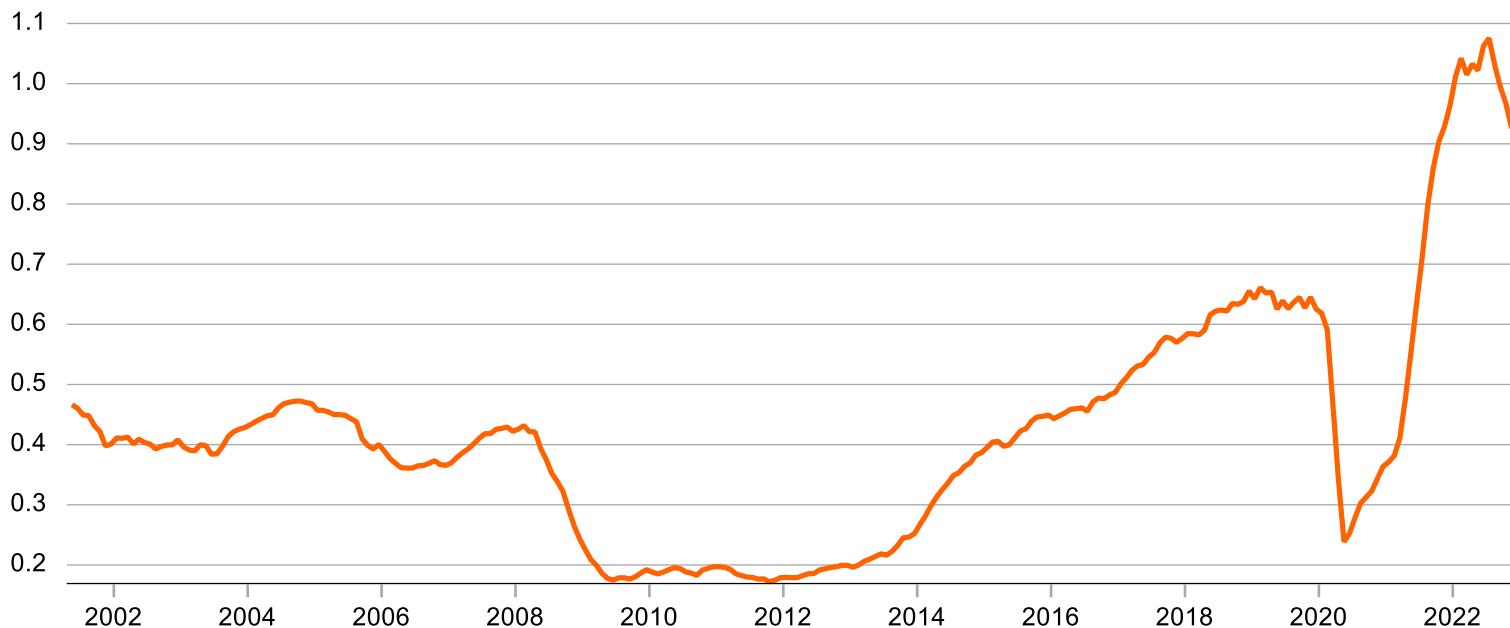
Net Balance



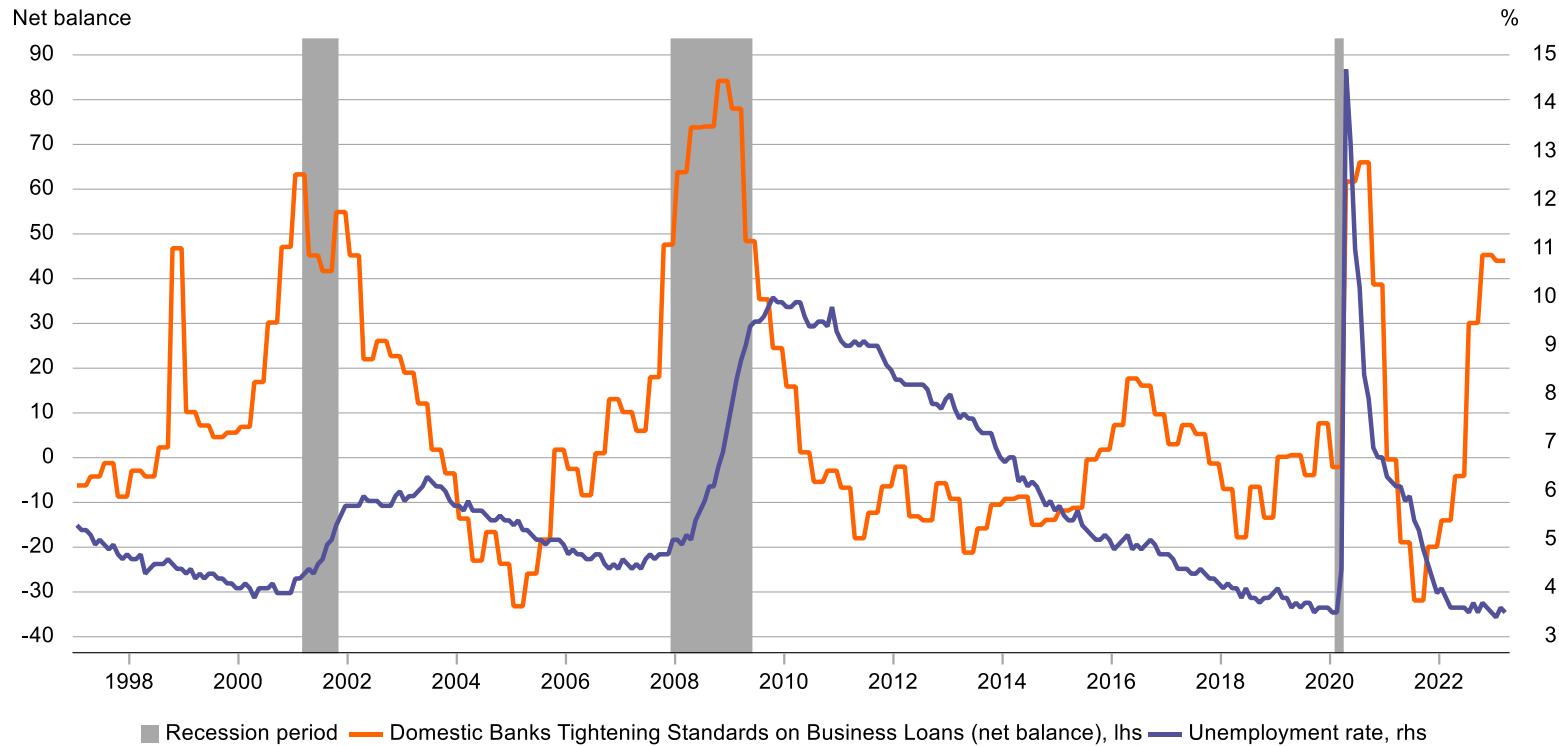
Worker shortages remain an issue in the UK

Number of job vacancies per unemployed worker

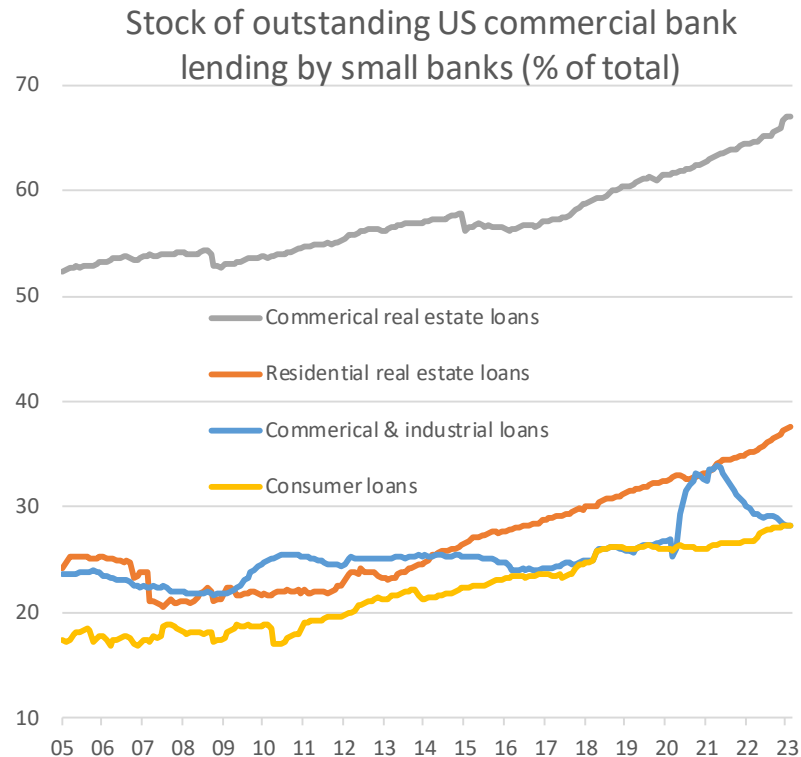
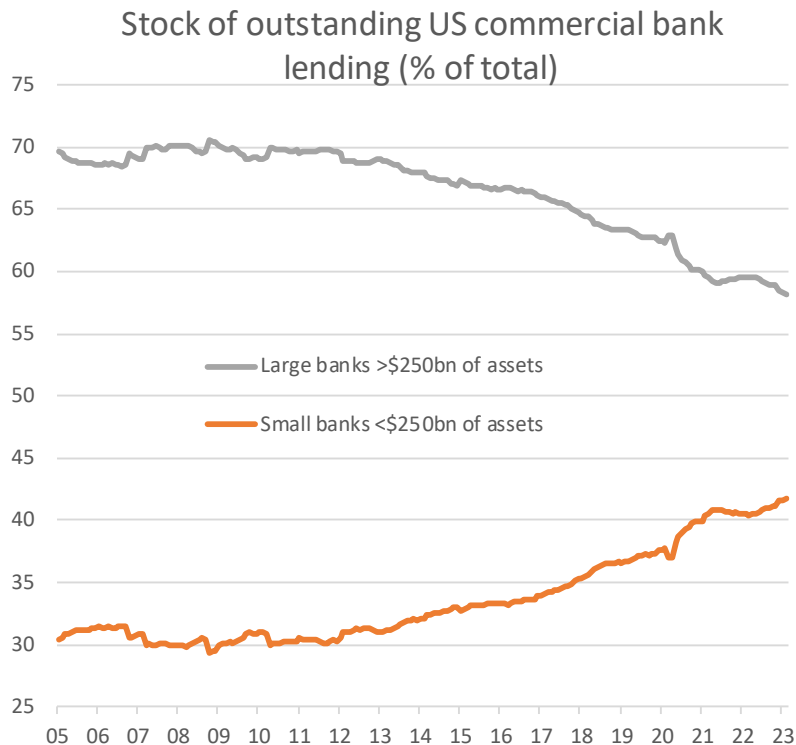
(Vacancies exclude agriculture)



Banks were tightening loan standards even before SVB

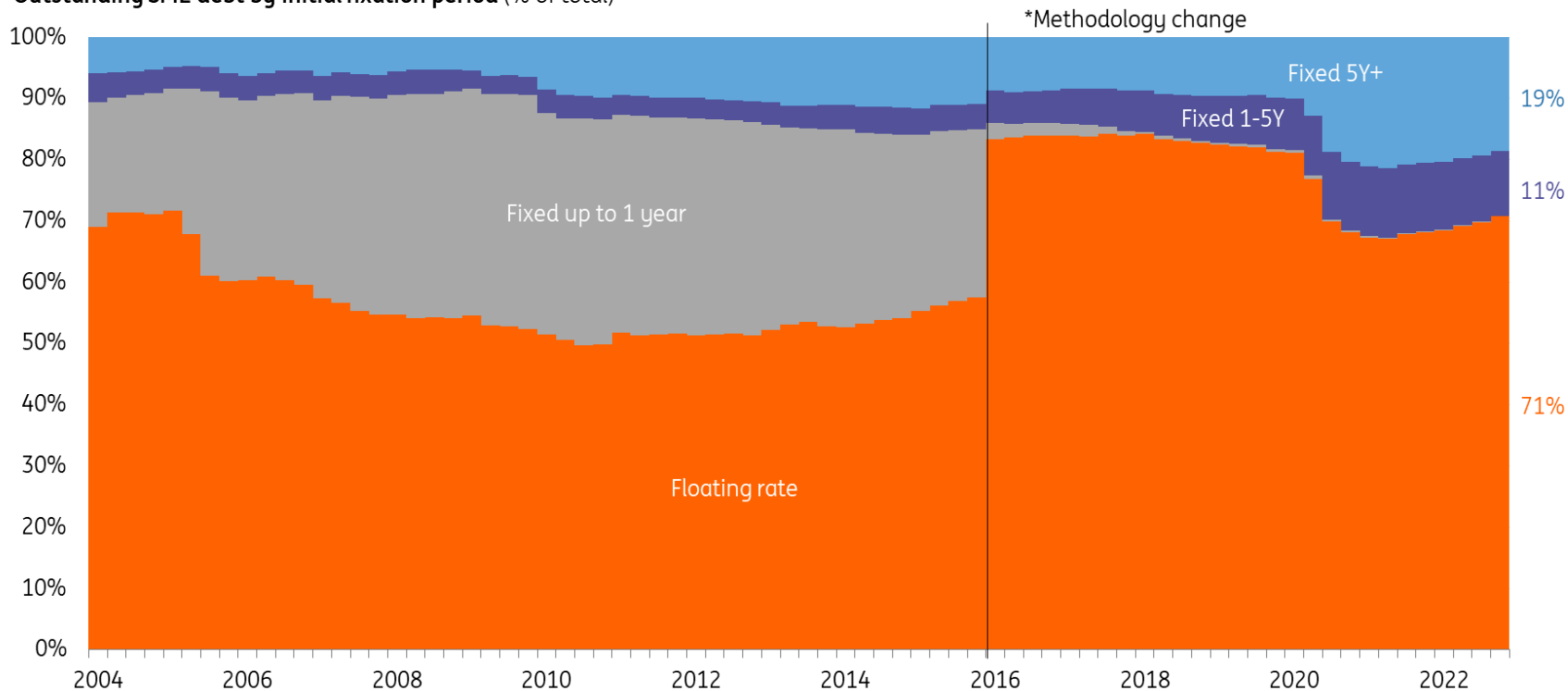


Small US banks do most commercial real estate lending



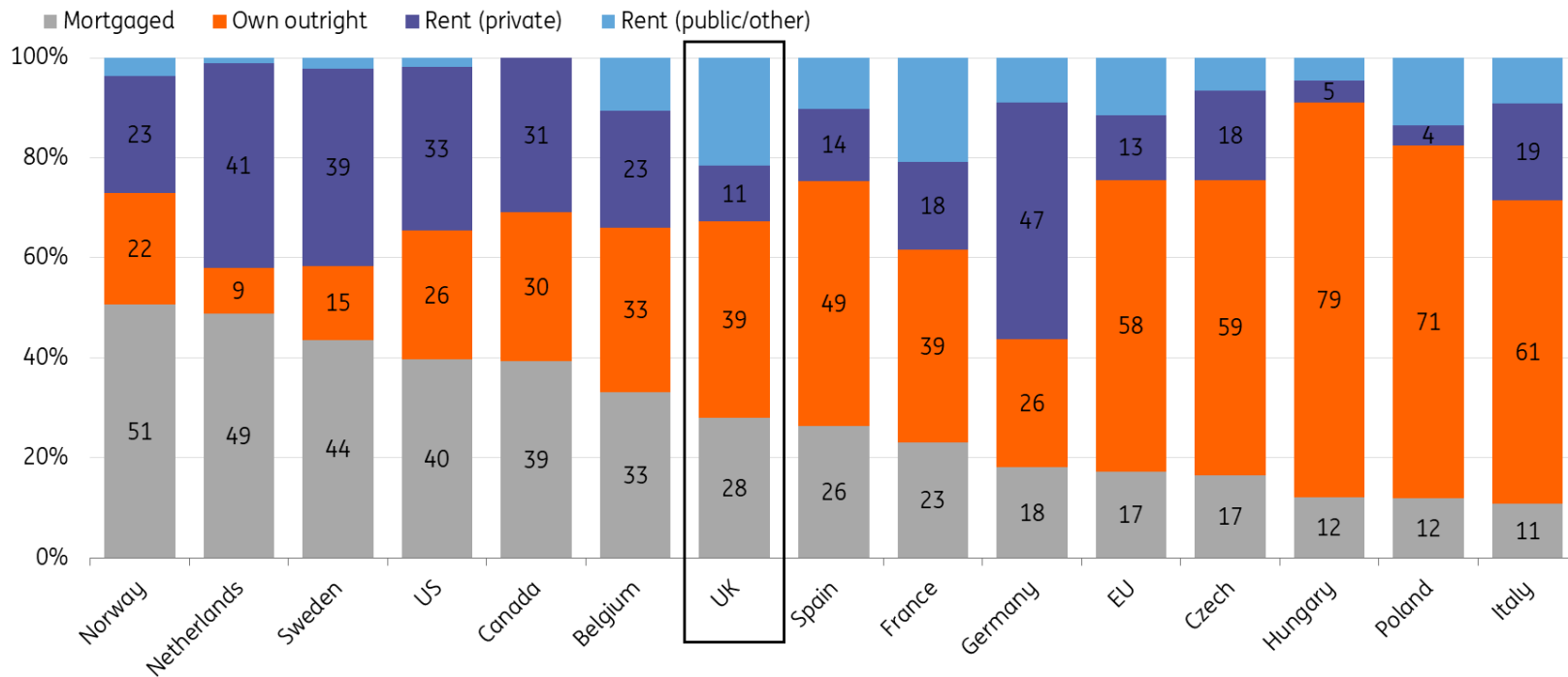
Most SME debt is on floating rates

Outstanding SME debt by initial fixation period (% of total)



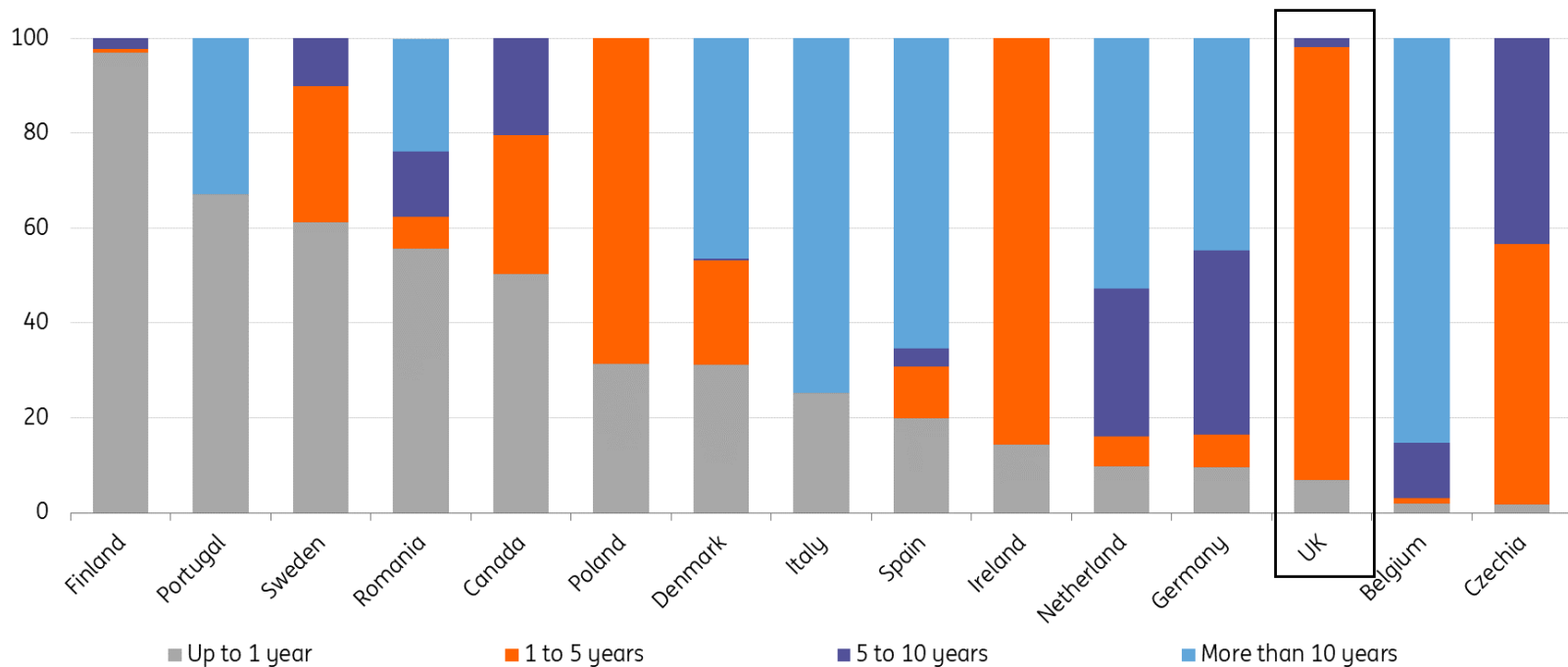
Who is most vulnerable on housing? #1

Share of households by housing tenure (% of total)

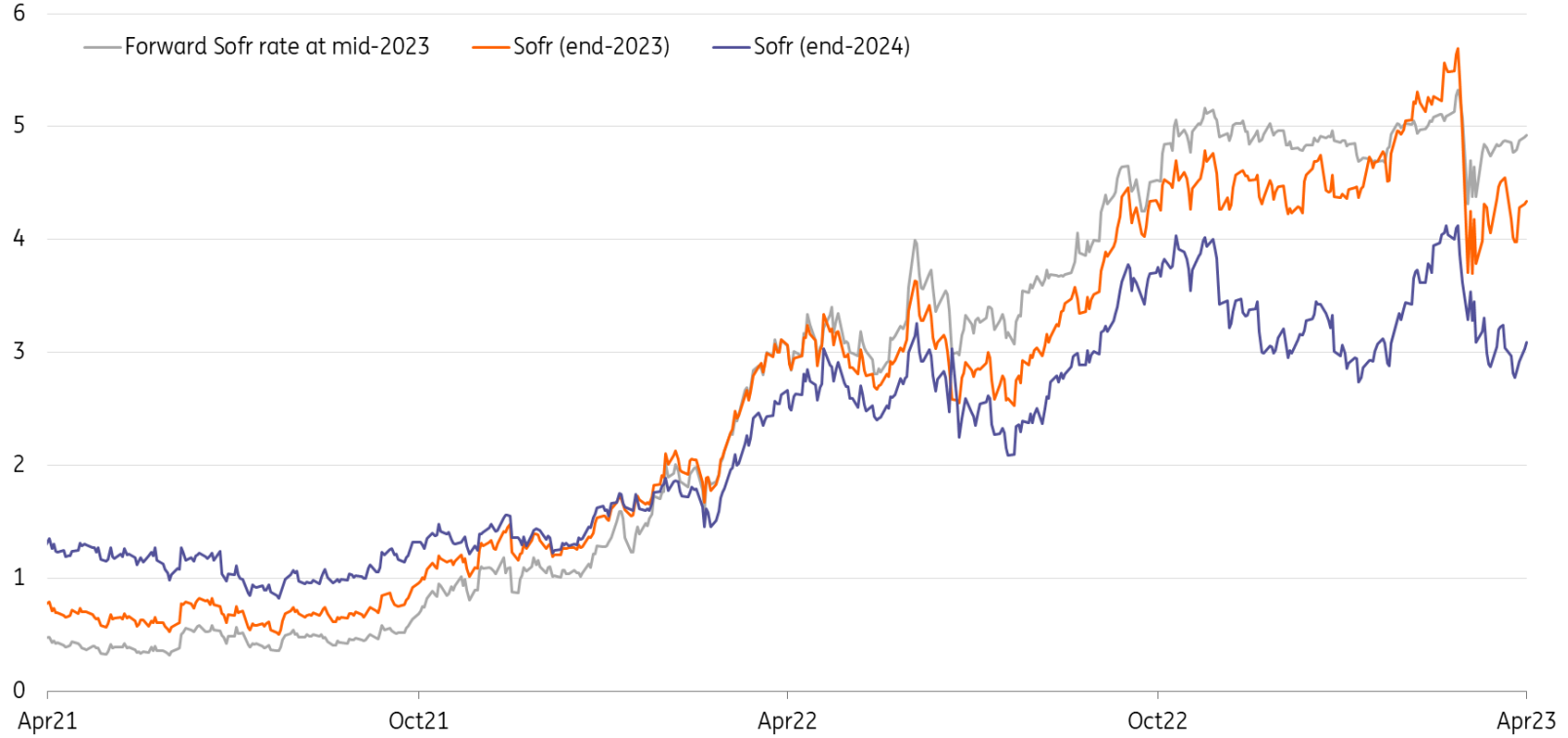


Who is most vulnerable on housing? #2

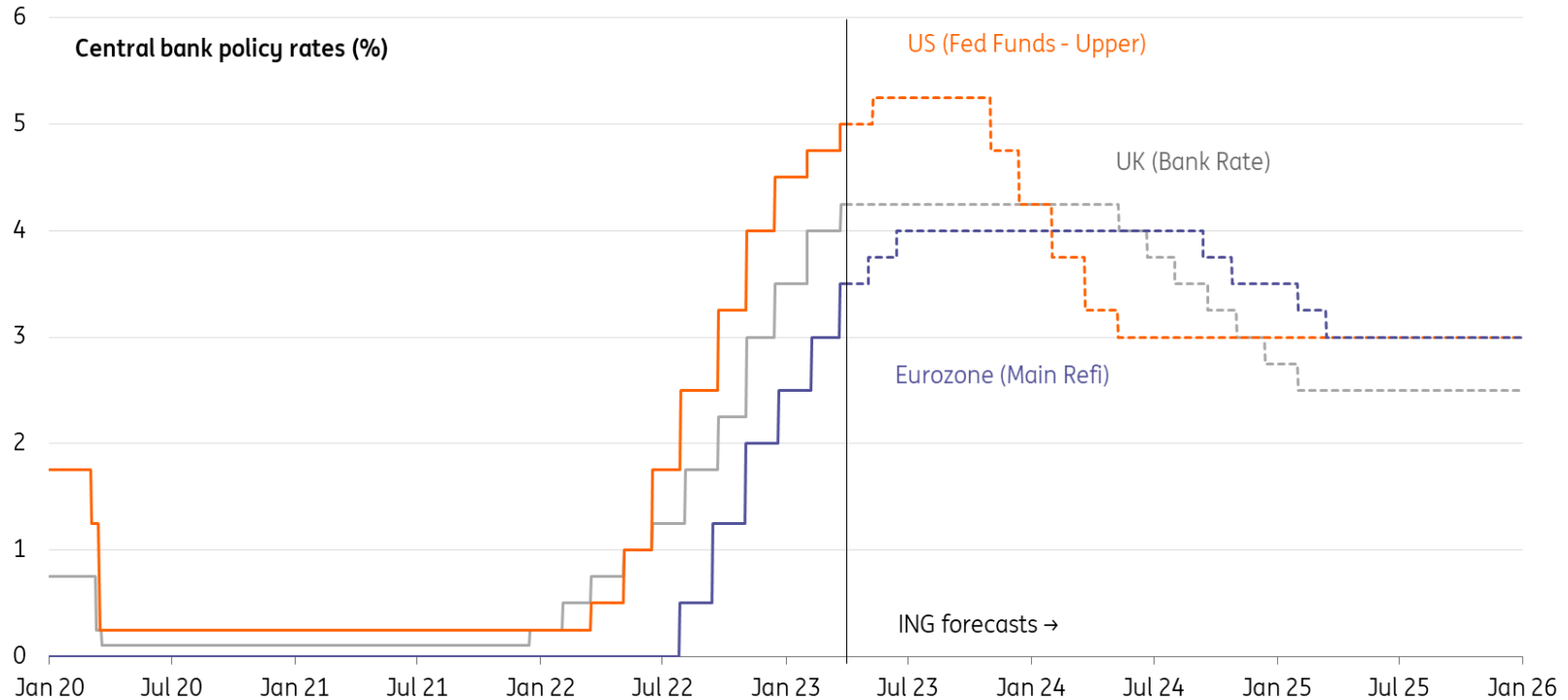
Mortgage markets breakdown by interest rate type, new loans (%)



Market expectations for central banks



Central bank rates are close to peaking



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